

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
(U-39-E) for Adoption of its 2006 Energy
Resource Recovery Account (ERRA) Forecast
Revenue Requirement and for Approval of Its
2006 Ongoing Competition Transition Charge
Revenue Requirement and Rates.

Application 05-06-007
(Filed June 1, 2005)

**ADMINISTRATIVE LAW JUDGE'S RULING
GRANTING PG&E'S MOTION TO UPDATE ITS REVENUE REQUIREMENT
FORECAST AND RESERVING ONE DAY FOR AN EVIDENTIARY HEARING**

This Ruling grants Pacific Gas and Electric Company's (PG&E) motion to update its revenue requirement forecast to reflect the recent surge in the price of natural gas. This Ruling also sets an evidentiary hearing for October 31, 2005, if necessary, to address factual issues regarding PG&E's update.

Background

On September 23, 2005, PG&E filed a motion to update its 2006 revenue requirement forecast for the Energy Resource Recovery Account (ERRA) and the ongoing Competition Transition Charge (CTC). PG&E states that the update is needed because the price of natural gas recently reached an all-time high due to hurricanes and other factors. PG&E seeks to file the update on October 14, 2005.

PG&E discussed its motion during an all-party conference call held on September 27, 2005. PG&E's conference report filed on September 28, 2005, states that the parties need a week to review PG&E's update and that the parties would determine by October 21, 2005, in another all-party conference call,

whether there is a need for a hearing on the update. PG&E's conference report also states that (1) the parties are willing to proceed at this time under the procedural schedule set forth in the Assigned Commissioner's Ruling and Scoping Memo issued on August 25, 2005, and (2) PG&E and the other parties recognize that if a hearing and/or briefs are determined to be necessary, it may affect the scheduled date for issuance of a decision in this proceeding.

Ruling

The price of natural gas is a major factor in forecasting the revenue requirement for PG&E's ERRA and CTC. The recent surge in the price of natural gas has rendered obsolete PG&E's forecast contained in its application filed on June 1, 2005. Failure to update the forecast to reflect the recent surge in the price of gas would likely cause PG&E to have a substantial undercollection of its ERRA and CTC. Such a result would be contrary to Pub. Util. Code § 454.5(d)(3), which requires the Commission to ensure timely recovery of procurement costs. To avoid such a result, PG&E's motion to update its 2006 revenue requirement forecast for the ERRA and ongoing CTC is granted.

Parties will have an opportunity to review PG&E's update and request an evidentiary hearing on the update. The evidentiary hearing, if one is necessary, will be held on October 31, 2005.

Consistent with the recommendations contained in the all-party conference report submitted by PG&E on September 28, 2005, the schedule for this proceeding will continue at this time as set forth in the assigned Commissioner's Scoping Memo issued on August 25, 2005. However, if an evidentiary hearing is held regarding PG&E's update, the following schedule shall apply:

| Date | Event |
|---------------------------------------|--|
| October 14, 2005 | <ul style="list-style-type: none"> ▪ PG&E files & serves a supplement to A.05-06-007 that contains the following: (1) an update of PG&E's 2006 forecast revenue requirement to reflect (a) recent natural gas prices, (b) the updated MPR provided by Energy Division staff on 10/7/2005, (c) any agreements between PG&E and the parties, and (d) end-of-September balances in the relevant balancing accounts; (2) staff's MPR calculation and supporting workpapers; and (3) a table that lists all update-related changes to (i) A.05-06-007, (ii) the written testimony appended to A.05-06-007 and submitted by PG&E since A.05-06-007 was filed, and (iii) the Reconciliation Table submitted by PG&E on 9/13/2005. ▪ Opening briefs regarding all matters except PG&E's previously described supplement. ▪ Deadline to file & serve requests for a final oral argument. |
| October 21, 2005 | <ul style="list-style-type: none"> ▪ PG&E arranges and hosts an all-party conference call regarding the need for an evidentiary hearing on PG&E's update of its revenue requirement forecast to reflect recent natural gas prices (but not other matters in the update, including the updated MPR). If one or more participants believes a hearing is needed, the conference call shall also address the following: (1) a joint stipulation of issues to be addressed at the hearing, (2) the order of PG&E witnesses, and (3) the order of cross-examination. ▪ Reply briefs. |
| October 24, 2005 2:00 p.m. | <ul style="list-style-type: none"> ▪ PG&E e-mails an all-party conference report to the service list no later than 2:00 p.m. on October 24, 2005. |
| October 31, 2005 10:00 a.m. | <ul style="list-style-type: none"> ▪ Evidentiary Hearing, if necessary, to cross-examine PG&E about the update of PG&E's revenue requirement forecasts to reflect recent natural gas prices (but not other matters in the update, including the updated MPR). |
| November 8, 2005 | <ul style="list-style-type: none"> ▪ Opening Briefs regarding PG&E's update. |
| November 15, 2005 | <ul style="list-style-type: none"> ▪ Reply Briefs regarding PG&E's update. ▪ Case submitted. |
| December 9, 2005 | <ul style="list-style-type: none"> ▪ Draft Decision. |

| Date | Event |
|-----------------|---|
| January 9, 2006 | ▪ Final Decision. This date is approximate, as no Commission meetings have been scheduled for 2006. |

This Ruling is being issued pursuant to Rule 45(h), which allows an ALJ to rule on a motion before responses or replies are filed.

IT IS RULED that:

1. Pacific Gas and Electric Company's (PG&E's) motion to update its revenue requirement forecast is granted. PG&E shall file and serve the update on October 14, 2005, in conjunction with previously authorized updates.
2. PG&E shall arrange and host an all-party conference call on October 21, 2005, to address the matters identified in the body of this Ruling.
3. PG&E shall e-mail an all-party conference report to the service list no later than 2:00 p.m. on October 24, 2005.
4. If necessary, an evidentiary hearing regarding PG&E's update will be held on October 31, 2005, beginning at 10:00 a.m., in a Commission courtroom at the State Office Building, 505 Van Ness Avenue, San Francisco, California.
5. The schedule for this proceeding will continue at this time as set forth in the assigned Commissioner's Scoping Memo issued on August 25, 2005. However, if it is determined that an evidentiary hearing is necessary regarding PG&E's update, the schedule in the body of this Ruling shall apply.

Dated October 3, 2005, at San Francisco, California.

/s/ TIMOTHY KENNEY

Timothy Kenney
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Granting PG&E's Motion to Update its Revenue Requirement Forecast and Reserving one Day for an Evidentiary Hearing on all parties of record in this proceeding or their attorneys of record.

Dated October 3, 2005, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.